Alberta
ENERGY

Petroleum Plaza – North Tower
9945 – 108 Street
Edmonton, Alberta
Canada T5K 2G6

08-07

GAS ROYALTY CALCULATION INFORMATION BULLETIN July 2008

A. PRICING RATES AND TRANSPORTATION INFORMATION

Pricing, Royalty Rates and Transportation Information – May 2008 2

B. NOTICES

Operating Costs Subject to Recapture 2
Terminating RMF2s 2

C. MONTHLY INFORMATION

May 2008 Royalty Due August 31 3
June 2008 VA4 Due August 15 3
Registry Deadline Submissions 3
Interest Rate July 2008 3
April Provisional Assessment Charge 4
April Penalty Charges 4
Gas Royalty Calculation Support 4

D. INFRASTRUCTURE DATA CHANGES

Client ID Listing 5
Client Status Changes 5
Nova Tolls – Multiple Gas Reference Prices 5

E. REMINDERS

2008 Annual Allowable Cost Estimates (Capital Cost Allowance and Custom processing Allowance) 6
Requesting Confirmation of Email Contact Information 6
Provincial Average Corporate Effective Royalty Rate (CERR) 6
Removing Density Field from the Condensate Royalty Statement 7
Royalty Deposit Adjustment 7

F. POINTS OF CONTACT

Petroleum Registry of Alberta 7
Alberta Energy Internet 7
Gas Royalty Client Services 7
Reference Prices and Valuation Allowances Calculation Information 9

PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT.

A. PRICING RATES AND TRANSPORTATION INFORMATION

For Pricing, Royalty Rates and Transportation Information for May 2008, refer to Attachments 1, 1A, 2, 2A, and 3. These attachments are also available in Excel format.

B. NOTICES

Operating Costs Subject to Recapture

The Operating Costs Subject to Recapture report for the 2007 production year was issued in the April 2008 invoice in the June 2008 calendar month. Operating costs are recaptured from a royalty client who has volumes at a facility where they have no capital ownership (as identified on the AC1, AC2 or AC3 submission) and no reported custom processing fees (AC5). A royalty client who is not an owner at a facility, and does not pay custom processing fees, is not entitled to the operating costs they received on a monthly basis. The operating costs subject to recapture will be charged in the August 2008 billing period invoice issued in October 2008.

Terminating RMF2s

Department records indicate that clients are not terminating RMF2s when:

1. A client that is an Assignor or Assignee on the RMF2 is amalgamated with another client and has passed the Amalgamated Established Date (AED).
2. A client that is the Assignor or Assignee on the RMF2 has terminated their Working Interest Owner (WIO) role.
3. A client has never had a WIO role.

In the May 2008 billing period invoice, issued in July 2008, the department retroactively terminated RMF2s for those situations where the Assignor or Assignee was amalgamated and their Amalgamated Established Date passed. This may have created retroactive reallocations and recalculations of royalty charges.

In situations where a client did not have a WIO Role or their WIO Role was terminated and they were on an RMF2 as an Assignor or Assignee, the RMF2s were terminated effective the May 2008 production period.

If there was more than one Assignee on the RMF2 the percentage allocated to the client with no WIO role, a terminated WIO role, or a passed AED, was assigned to the Assignor. In the case where there was only one Assignee the RMF2 was terminated.

If you require further information on these changes, please contact your respective Gas Royalty Client Services portfolio representative as identified in Section F of this Bulletin.

C. MONTHLY INFORMATION

May 2008 Royalty Due August 31

- **Royalty clients are to remit the total amount payable shown on the August 2008 Statement of Account by August 31, 2008.** If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided.

- **The August 2008 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your May 2008 Invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.**

- Current period interest will not be charged on current invoice charges for the production month of May 2008 if it is paid in full by August 31, 2008.

- Current period interest will accrue on any overdue charges commencing the first day after the due-date until it is paid in full.

  Note: If the due date falls on a non-business day, the next business day will apply as the due date.

- Cheques are payable to the Minister of Finance, Province of Alberta.

June 2008 VA4 Due August 15

The VA4 forms for the production month of June 2008 are due in the department offices by August 15, 2008.

Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.

Registry Deadline Submissions

The Registry deadline submissions for SAF, OAF, and Volumetrics are posted in the Petroleum Registry of Alberta website "Reporting Calendars" under Bulletin Board.

Changes to this calendar will be posted on the Registry website home page in "Broadcast Messages."

Interest Rate July 2008

Alberta Energy's interest rate for July 2008 is 5.75%.

April Provisional Assessment Charge

The summary of Provisional Assessment Charges for all production periods in the April 2008 billing period was:

First-time Provisional Assessment	Reversals of Provisional Assessment	Net Provisional Assessment
$9,152,417.84	($5,323,146.17)	$3,829,271.67

April Penalty Charges

The penalty table below shows at the form level, the total penalty charges and reversals, for the April 2008 billing period:

FORM	Penalty Charges	Penalty Reversals	Net Penalty Charges for 2008/04
AC2	$58,100	($900)	$57,200
AC4	$2,800	$0	$2,800
AC5	$7,000	$0	$7,000
GR2	$0	$0	$0
NGL1	$0	$0	$0
VA2	$0	($2,000)	($2,000)
VA3	$0	$0	$0
VA4	$200	$0	$200
Total	$68,100	($2,900)	$65,200

Gas Royalty Calculation Support

Gas Royalty Calculation staff will be available monthly to meet with clients who need assistance with royalty reporting. Royalty clients requiring assistance are encouraged to call Richard Stokl, Manager, Client Services (780-422-9258) or e-mail richard.stokl@gov.ab.ca two business days before the meeting date to arrange an appointment. The September through December schedule is as follows:

Where:

AMEC Place
Room 437, 801-6 Avenue SW
Calgary, Alberta
Phone: 403-297-8954
(Industry must go to the 3rd Floor Reception upon arrival to sign-in and be given a visitor tag)

When – 10 am to 3 pm

September 25, 2008
October 30, 2008
November 27, 2008
December 11, 2008

D. INFRASTRUCTURE DATA CHANGES

Client ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, includes Working Interest Owner (WIO) role start/end dates.

This report is also published daily on the Petroleum Registry website at:

http://www.petroleumregistry.gov.ab.ca

The department reminds Business Associates to review their WIO role to ensure the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role, then that BA can receive SAF/OAF allocations from the WIO role start date forward.
- If a BA has a WIO role with an end date, then they can only receive SAF/OAF allocations from the WIO role start date until the end date. Any SAF/OAF allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive SAF/OAF allocations.

Please contact Client Registry at 780-422-1395 if you have any questions regarding the information supplied on this listing.

Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client names or IDs, please contact Client Registry at 780-422-1395.

Nova Tolls - Multiple Gas Reference Prices

Royalty information related to the implementation of the Factor Model negotiated with industry for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under Facility Royalty Trigger Factors and Meter Station Ties.

E. REMINDERS

2008 Annual Allowable Cost Estimates (Capital Cost Allowance and Custom Processing Allowance)

For the January through March 2008 billing periods, royalty clients received estimated monthly cost deductions that were calculated using their 2006 actual allowable costs, multiplied by their 2006 Corporate Effective Royalty Rate (CERR), divided by 12 (months).

The information in the 2007 AC2, AC3, and AC5 documents was used to calculate the 2007 actual capital cost and custom processing allowances. This calculation was reflected in the April 2008 Initial Annual Billing Period (IABP) invoice, issued in June 2008.

The 2007 actual allowable costs became the royalty client's 2008 allowable cost estimates.

Commencing with the April 2008 billing period, royalty clients are receiving monthly deductions based on their calculated 2008 allowable cost estimates, multiplied by their new 2007 CERR, minus the total deductions received in the January, February, and March 2008 billing period invoices, divided by the months remaining in the year (i.e. nine (9) months as of the April billing period).

If a royalty client needs to adjust the 2008 go forward allowable cost estimate a written request accompanied by supporting documentation must be submitted to Client Services (see Chapter six (6), Section one (1) of the Alberta Natural Gas Royalty Guidelines 2006).

Examples when an adjustment may be required are as follows:

- A royalty client's business in a year changes significantly so that the Crown share of capital cost allowance and/or custom processing allowance from the preceding year are no longer applicable, or
- The AC2, AC3, and AC5 documents were not submitted in time for them to be processed in the April 2008 IABP invoice.

Requesting Confirmation of Email Contact Information

The Gas Royalty Calculation Branch is in the process of updating our e-mail contact list. If you would like to continue to receive information such as UDF document updates via email or if you would like to be added to this distribution list, please send an email with your contact information to:

bsysproj@enr.gov.ab.ca

Please direct any questions or concerns to Penny White at (780) 422-9261.

Provincial Average Corporate Effective Royalty Rate (CERR)

The provincial average CERR is initially assigned to each new royalty client to estimate the Crown's share of allowable costs. Each June, during the Initial Annual Billing Period (IABP), the estimated CERR is recalculated and the actual Crown share of allowable costs is determined using the client's actual calculated CERR.

The provincial average CERR for the 2008 production year is 0.1941101.

Removing Density Field from the Condensate Royalty Statement

Effective the May 2008 billing period invoice, the Condensate Royalty Statement no longer displays a density field. Condensate royalty was and continues to be calculated based on light density. Should you have any questions, please contact Royalty Programs at GasRoyaltyPrograms@gov.ab.ca or Wayne Taljit at 780-422-9296.

Royalty Deposit Adjustment

The Department has enhanced the royalty deposit calculation to reduce the impact on cash flows caused by wide swings in gas prices. The royalty deposit is calculated as $1/6^{th}$ of the client's previous year's royalty multiplied by a factor. The factor of 1.11 is calculated by dividing the current year's long term price for 2008 of $6.50 by the average 2007 Alberta reference price (ARP) of $5.88. This change in deposit was processed in the April 2008 invoice, issued in June 2008. If you have any questions, please contact Joyce Chen at (780) 415-2673.

F. POINTS OF CONTACT

Petroleum Registry of Alberta

The Petroleum Registry of Alberta Service Desk is the focal point for communications with the Registry regarding preparations for, access to, or utilization of the Registry. To contact the Petroleum Registry of Alberta Service Desk call: 1-800-992-1144.

Alberta Energy Internet

Prices, Royalty Rates, and Transportation Information are available on the Alberta Energy Internet address: www.energy.alberta.ca, from "Our Business", navigate to "Natural Gas", "About Natural Gas", "Prices", "Alberta Natural Gas Reference Price (ARP)".

In addition, both the Gas Royalty Calculation Information Bulletins and Information Letters are also available under "Our Business", navigate to "Natural Gas", "Legislation, Guidelines & Policies".

Gas Royalty Client Services

Gas Royalty Client Services is structured as a Business Associate client portfolio system, which assigns a given Business Associate to one of four Client Service teams. Listed below is the portfolio breakdown along with Client Service Team Leads and phone numbers. The portfolios are divided by company name and not by BA ID.

Example: If your company name is the "Gas Company" you would call C – G team at 780-644-1202.

Business Associate	Phone Number and E-mail Address	Team Lead
Numbered companies, A, B & L	780-644-1201 GRCST1@gov.ab.ca	Mary Spearing
C – G	780-644-1202 GRCST2@gov.ab.ca	Todd Atwood
H – P (excluding L)	780-644-1203 GRCST3@gov.ab.ca	Chris Nixon
Q – Z	780-644-1204 GRCST4@gov.ab.ca	Jyoti Bhambhani

Gas Royalty Reception: 780-427-2962
Fax: 780-427-3334 or 780-422-8732
Alberta Toll Free: 780-310-0000

Hours of operation are 8:15 a.m. to 4:30 p.m. Voice messages left after 4:30 p.m. will be answered the next business day.

In situations where a company has just amalgamated or purchased another company, the general rule is to call the team that is responsible for the "Supra" business associate, or Royalty payer.

Below are some guidelines for clients who are unsure which Client Services Team to call regarding their questions.

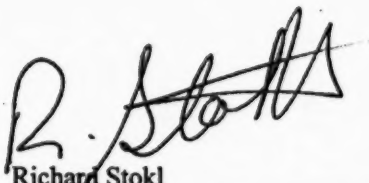
1. **Amalgamation/consolidation** - Call the team responsible for the "Supra" business associate (Royalty Payer).
   i.e. ABC Oil and Gas amalgamates with Zed Exploration and Zed is the amalgamator (royalty payer). When calling Client Services regarding business for ABC Oil and Gas, you would call Team 4 (Q-Z) (780-644-1204) because Zed Exploration is now the Supra business associate and royalty payer. This rule would apply even if you were calling regarding business that is prior to the acquisition or amalgamation.

2. **Asset Purchase** - Call the team responsible for your company.
   i.e. 123 Gas purchases the assets of TSP Exploration, but not the company. When calling Client Services regarding business for 123 Gas you would call Team 1 (# Co., A, B, & L) (780-644-1201) because you have only purchased assets.

3. **Consultants/service providers** - If you have a contract to provide production accounting services to a company, call the team responsible for your client's company.
   i.e. Paul Snow Consulting Services enters into a contract with Duckback Oil and Gas and Olive Oil and Gas. Paul Snow would contact Team 2 (C-G) (780-644-1202) to discuss Duckback Oil business and Team 3 (H-P excluding L) (780-644-1203) to discuss Olive Oil and Gas business. At the time the contract is signed, Paul Snow would have had each company notify the appropriate team that he was authorized to access information for their company.

Reference Prices and Valuation Allowances Calculation Information

Gas Royalty Valuation and Markets
300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone: 403-297-5514
Fax: 403-297-5400



Richard Stokl
Acting Director, Gas Royalty Calculation
Gas Development

Attachments

2008 GAS AND ISC PRICES

MONTH	Gas Reference Price ($/GJ)	Methane ISC Reference Price ($/GJ)	Methane ISC Par Price ($/GJ)	Ethane ISC Reference Price ($/GJ)	Propane ISC Reference Price ($/GJ)	Butane ISC Reference Price ($/GJ)	Pentanes plus ISC Reference Price ($/GJ)
JAN	6.19	6.13	6.13	6.61	6.80	6.83	6.86
FEB	6.72	6.66	6.66	7.20	7.40	7.44	7.46
MAR	7.52	7.45	7.45	8.09	8.30	8.33	8.33
APR	8.11	8.05	8.05	8.64	8.87	8.89	8.92
MAY	8.92	8.86	8.86	9.43	9.60	9.62	9.64
JUN							
JUL							
AUG							
SEPT							
OCT							
NOV							
DEC							

Natural Gas and NGLs Select Prices for 2008

Commodity	2008
New Methane	1.496$/GJ
Old Methane	0.441 $/GJ
New Ethane	1.496 $/GJ
Old Ethane	0.441 $/GJ
Propane	1.496 $/GJ
Butane	1.496 $/GJ
Pentanes plus	53.49$/m3

Royalty Factors for Pentanes plus

	Base	Marginal
New Pentanes	22	35
Old Pentanes	22	50

DETAIL OF THE MAY 2008 GAS AND ISC REFERENCE PRICES

	Gas	Methane	C2-IC	C3-IC	C4-IC	C5-IC
Weighted Average Price of Alberta	9.248	9.203	9.662	9.782	9.785	9.789
Deductions: Intra – Alberta Transportation	0.242	0.257	0.147	0.103	0.080	0.061
Marketing Allowance	0.012	0.012	0.012	0.012	0.012	0.012
Price Before Pipeline Factor	8.994	8.934	9.503	9.667	9.693	9.716
Pipeline Fuel/Loss Factor	0.993	0.993	0.993	0.993	0.993	0.993
Price before Special Adjustment	8.928	8.870	9.435	9.597	9.623	9.646
Special Adjustment	0.000	0.000	0.000	0.000	0.000	0.000
Price before 2% amendment limitation or rounding	8.928	8.870	9.435	9.597	9.623	9.646
Amendments: Carry forward (from previous RP month)	0.000	-0.004	0.000	-0.001	0.002	-0.002
Prior Period Amendment Adjustment (current RP month)	-0.004	-0.004	-0.003	-0.001	-0.001	-0.001
Calculated RP after Amendments	8.924	8.862	9.432	9.595	9.624	9.644
May 2008 Reference Price	**8.92**	**8.86**	**9.43**	**9.60**	**9.62**	**9.64**
Difference = value carried forward to next RP month	0.004	-0.004	0.002	-0.005	0.004	0.004
Adjusted IATD (before Prior Period Amendments)	[redacted]	0.255	0.146	0.103	0.079	0.060
Prior period Amendments (IATD and Pipeline Fuel Loss)	[redacted]	0.000	0.000	0.000	0.000	0.000
Adjusted IATD (after Prior Period Amendments)	[redacted]	0.255	0.146	0.103	0.079	0.060

2007 Weighted Average Gas Reference Price ($/GJ)
5.892

2007 Weighted Average OMAC ($/GJ)
0.019

2008
NATURAL GAS LIQUIDS PRICES

MONTH	Ethane Reference Price ($/GJ)	Ethane Par Price ($/GJ)	Propane Reference Price ($/m3)	Propane Par Price ($/GJ)	Propane Floor Price ($/m3)	Butanes Reference Price ($/m3)	Butanes Par Price ($/GJ)	Butanes Floor Price ($/m3)	Pentanes plus Reference Price ($/m3)	Pentanes plus Par Price ($/m3)	Sulphur Default Price ($ per tonne)
JAN	6.61	6.61	379.50	6.80	324.38	533.35	6.83	402.11	631.90	615.30	189.25
FEB	7.20	7.20	372.15	7.40	326.74	510.61	7.44	361.31	642.42	621.84	233.95
MAR	8.09	8.09	366.78	8.30	336.54	536.12	8.33	370.17	722.53	700.18	156.12
APR	8.64	8.64	391.64	8.87	359.16	570.73	8.89	402.66	803.40	785.56	319.79
MAY	9.43	9.43	417.08	9.60	383.50	600.75	9.62	446.12	852.62	836.89	441.28
JUN											
JUL											
AUG											
SEPT											
OCT											
NOV											
DEC											

ANNUAL SULPHUR DEFAULT PRICE				
2003	2004	2005	2006	2007
$31.24	$31.90	$33.98	$18.82	$32.86

2008
NGL TRANSPORTATION ALLOWANCE AND DEDUCTIONS

MONTH	PENTANES PLUS (a)				PROPANE AND BUTANE (b)				PENTANES PLUS, PROPANE & BUTANE (c)				FRAC. ALLOW. (per m3)
	REGION				REGION				REGION				
	1	2	3	4	1	2	3	4	1	2	3	4	
JAN	17.37	-0.22	62.47	29.39	35.99	24.98	32.04	15.08	44.40	38.81	63.16	51.03	16.50
FEB	13.43	3.95	64.16	30.61	34.76	29.17	25.89	13.45	52.91	46.63	53.16	50.46	16.50
MAR	0.67	16.56	94.84	41.39	36.16	45.23	35.64	15.92	60.46	56.46	92.37	60.25	16.50
APR	14.81	5.88	82.39	12.17	26.49	37.71	48.56	27.73	74.50	62.42	92.34	74.22	16.50
MAY	9.35	6.24	73.58	15.89	27.96	30.61	28.36	22.93	70.75	53.24	84.14	46.14	16.50
JUN													
JUL													
AUG													
SEPT													
OCT													
NOV													
DEC													

(a) Pentanes Plus obtained as a specification gas product,
(b) Propane and Butane obtained as specification products, and
(c) Pentanes Plus, Propane and Butane contained in a natural gas liquids mix.

Note: For details on "Prior Period Amendment Effects", see Attachment 2A.

PRIOR PERIOD AMENDMENT EFFECTS				
NGL REFERENCE PRICES	May 2008			
	Propane	*Butanes*	*Pentanes*	
Price before amendments	417.085311	600.747183	852.624389	
Opening Rollover (from prior business mth)	-0.000662	0.002407	-0.000844	
Prior Period Amendment Adj. (NGL-100)	0.000000	0.000000	0.000000	
Published Reference Price	**417.08**	**600.75**	**852.62**	

TRANSPORTATION ALLOWANCES	May 2008											
	Pentanes Plus				Propane and Butane				Pentanes Plus, Propane & Butane			
AMENDMENTS	Region 1	Region 2	Region 3	Region 4	Region 1	Region 2	Region 3	Region 4	Region 1	Region 2	Region 3	Region 4
Opening Rollover (from prior business mth)	0.002659	-0.001024	0.003846	0.004041	-0.001774	0.003143	-0.000038	-0.001870	-0.001757	-0.003274	-0.001165	-0.000786
Prior Period Amendment Adj. (NGL-100)	0.000000	0.000000	0.000000	0.000000	0.763894	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Total Amendment Effect	0.002659	-0.001024	0.003846	0.004041	0.762120	0.003143	-0.000038	-0.001870	-0.001757	-0.003274	-0.001165	-0.000786
Calculated Transp. Differential	9.348460	6.243071	73.580788	15.886537	27.196866	30.610187	28.362066	22.934455	70.749291	53.240869	84.141443	46.139357
Calculated Transp. Differential after Total Amendments	9.351119	6.242047	73.584634	15.890578	27.958986	30.613330	28.362028	22.932585	70.747534	53.237595	84.140278	46.138571
Published Transportation Allowance	**9.35**	**6.24**	**73.58**	**15.89**	**27.96**	**30.61**	**28.36**	**22.93**	**70.75**	**53.24**	**84.14**	**46.14**

2008
ROYALTY RATES

MONTH	METHANE-OLD (% per GJ)	METHANE-NEW (% per GJ)	ETHANE - OLD (% per GJ)+	ETHANE - NEW (% per GJ)	PROPANE (% per m^3)	BUTANES (% per m^3)	PENTANES – OLD (POL) (% per m^3)	PENTANES - NEW (PNE) (% per m^3)
JAN	35.00000	30.00000	35.00000	30.00000	30.00000	30.00000	47.56587	33.86987
FEB	35.00000	30.00000	35.00000	30.00000	30.00000	30.00000	47.59147	33.88175
MAR	35.00000	30.00000	35.00000	30.00000	30.00000	30.00000	47.86095	34.00687
APR	35.00000	30.00000	35.00000	30.00000	30.00000	30.00000	48.09344	34.11481
MAY	35.00000	30.00000	35.00000	30.00000	30.00000	30.00000	48.21037	34.16910
JUN								
JUL								
AUG								
SEPT								
OCT								
NOV								
DEC								